

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PA-04 USIA-15

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FM AMCONSUL CALGARY

TO SECSTATE WASHDC 970

INFO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: ENRG, CA

SUBJECT: ALBERTA'S NEW OIL ROYALTY PROGRAM.

1. FEDERAL-PROVINCIAL COMPROMISE OF MARCH 27 INCREASING PRICE OF ALBERTA CRUDE FROM \$3.80 TO \$6.50 PER BARREL HAS BEEN RECEIVED WITH SATISFACTION IN ALBERTA, WITH PROVINCIAL GOVERNMENT EXPECTING TO RECEIVE NEARLY \$1 BILLION ANNUALLY IN INCREASED REVENUE. AS EXPECTED, SOCIAL CREDIT AND NDP LEADERS CRITICIZE ARRANGEMENT, BUT ALBERTA PRESS STRONGLY PRAISES LOUGHEED FOR PAST EIGHT MONTHS OF NEGOTIATIONS AND EMPHASIZES PRICE INCREASE OBTAINED WITHOUT LEAVING RESENTFUL FEELINGS AMONG OTHER PREMIERS.

2. FOLLOWING ANNOUNCEMENT OF THE PRICE HIKE, ALBERTA GOVERNMENT UNVEILED ITS OWN NEW ROYALTY PROGRAM TO COMMENCE APRIL 1, 1974. ROYALTY INCREASES WILL APPLY ONLY TO PRICE INCREASES OVER THE PRESENT \$3.80, WITH ROYALTIES ON PRESENT PRICE OF ALBERTA CRUDE REMAINING AT AVERAGE OF 22.8 PERCENT.

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3. PROVINCIAL GOVERNMENT WILL RECEIVE AVERAGE OF 65 PERCENT

(\$1.76) OF THE \$2.70 PRICE INCREASE ON "OLD" OIL, AND AN AVERAGE OF 35 PERCENT (.94 CENTS) ON THE PRICE INCREASE ON "NEW" OIL. INASMUCH AS BULK OF ALBERTA OIL IS "OLD", PROVINCE WILL BE GETTING NEARLY TWO-THIRDS OF THE INCREASED PRICE OF ALBERTA CRUDE.

4. "NEW" OIL IS DEFINED AS BEING DISCOVERED AFTER JANUARY 1, 1974 OR APRIL 1, 1974, WITH EXACT DATE YET TO BE DETERMINED. ROYALTY PROGRAM APPLIES TO CROWN LEASE OIL AND NOT RPT NOT TO OIL FROM FREE-HOLD LEASES OR SYNTHETIC CRUDE, AND WILL LAST BETWEEN 12 AND 15 MONTHS, OR SAME LENGTH OF TIME AS PRICING PROGRAM.

5. OIL INDUSTRY REPRESENTATIVES FEEL THEY "CAN LIVE" WITH 35 PERCENT ROYALTY ON NEW OIL, BUT GENERALLY CONTEND THAT 65 PERCENT ROYALTY ON OLD OIL WILL RETARD EXPLORATION AND DEVELOPMENT. LEADERS OF CONSUMER GROUPS MAINTAIN THAT WHILE PROVINCIAL GOVERNMENT AND OIL COMPANIES WILL CONTINUE TO BENEFIT FROM PRICE RAISES ALBERTA CONSUMER EVENTUALLY WILL FEEL PINCH DESPITE PROVINCIAL GOVERNMENT'S PROPOSAL TO REDUCE GASOLINE PRICES.

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